

Message Text

UNCLASSIFIED

PAGE 01 LONDON 00906 01 OF 02 181604Z
ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-06 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 AGRE-00 STRE-00 EA-12 NEA-10 /130 W
-----044427 181732Z /43

R 181538Z JAN 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 2148
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
USMISSION GENEVA

UNCLAS SECTION 01 OF 02 LONDON 00906

USEEC ALSO FOR EMBASSY
USOECN ALSO FOR EMBASSY
USMTN ALSO FOR MISSION

PASS AGRICULTURE

E.O. 11652: N/A
TAGS: EAGR UK
SUBJECT: RENEWAL OF CONTROVERSY OVER UK GREEN POUND
DEVALUATION
BEGIN SUMMARY: AS 1978 EC FARM PRICE REVIEW APPROACHES,
CONTROVERSY OVER UK GREEN POUND DEVALUATION HAS FLARED UP
AGAIN. CONSERVATIVES PROPOSE AN IMMEDIATE 7 1/2 PERCENT
DEVALUATION WHILE MINISTER OF AGRICULTURE IS REPORTED TO
BE URGING ON HIS CABINET COLLEAGUES A 5 PERCENT ADJUST-
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 00906 01 OF 02 181604Z

MENT. MEANWHILE, NFU STATES 12 1/2 PERCENT NEEDED
IMMEDIATELY. END SUMMARY.

1. ON MONDAY, JANUARY 23, THE HOUSE OF COMMONS DEBATES
A CONSERVATIVE MOTION PROPOSING A 7 1/2 PERCENT DEVALUA-
TION OF THE GREEN POUND. THE DEBATE AND ITS OUTCOME ARE
OF PARTICULAR INTEREST IN THE LIGHT OF THE LIB-LAB PACT

SINCE THE LIBERALS HAVE ALREADY CALLED FOR A 10 PERCENT DEVALUATION WHILE HMG CONTINUES TO CONFINE ITSELF TO VAGUE STATEMENTS ABOUT A DEVALUATION (UNSPECIFIED) AT SOME TIME WHEN CIRCUMSTANCES PERMIT.

2. MEANWHILE, AGRICULTURE MINISTER SILKIN IS BELIEVED TO BE URGING ON HIS CABINET COLLEAGUES TO AGREE TO A 5 PERCENT DEVALUATION IF IN RETURN HE CAN OBTAIN FROM THE EC MINIMAL PRICE INCREASES FOR 1978 AND POSSIBLY AN EXTENSION OF THE BUTTER SUBSIDY AT AN INCREASED LEVEL.

3. THE NFU HAS MEANWHILE STEPPED UP ITS CAMPAIGN AGAINST SILKIN AND SAYS 5 PERCENT WOULD BE INADEQUATE AND EVEN THE CONSERVATIVE PARTY AIM OF 7 1/2 PERCENT WOULD ONLY BE ACCEPTABLE IF IT WERE FOLLOWED BY A FURTHER 5 PERCENT AT THE EC PRICE REVIEW.

4. SOME AMMUNITION HAS BEEN PROVIDED FOR BOTH SIDES IN THE PUBLICATION OF THE ANNUAL REVIEW OF AGRICULTURE FOR 1978. THE REVIEW SHOWS THE INDEX OF THE NET PRODUCT OF AGRICULTURE RISING IN 1977 TO 112 (1975 EQUALS 100) AS COMPARED WITH 89 IN 1976 BUT THIS IMPROVEMENT IS MAINLY DUE TO THE ENDING OF THE 1976 DROUGHT AND COMPARES UNFAVOURABLY WITH THE 1973 INDEX OF 113 AND 114 IN 1974. NFU CLAIMS THEREFORE THAT LITTLE PROGRESS IS BEING MADE TOWARDS THE TARGET IN THE "FOOD FROM OUR OWN RESOURCES"

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LONDON 00906 01 OF 02 181604Z

WHITE PAPER SEEM JUSTIFIED. ON THE OTHER HAND, THE PROVISIONAL ESTIMATE OF FARMING NET INCOME FOR 1977 AT 1,348 MILLION POUNDS IS 16 1/2 PERCENT HIGHER THAN IN 1976 AND IS ABOUT 4 PERCENT ABOVE THE RISE IN

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 LONDON 00906 02 OF 02 181607Z
ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-06 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 AGRE-00 STRE-00 EA-12 NEA-10 /130 W
-----044449 181732Z /44

R 181538Z JAN 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 2149
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
USMISSION GENEVA

UNCLAS SECTION 02 OF 02 LONDON 00906

INFLATION DURING 1977 WHICH SUPPORTS THE MINISTER'S VIEW THAT FARM INCOME HAS GONE AHEAD FASTER THAN THE RISE IN PRICES. THE NFU COUNTERS THIS, HOWEVER, BY SAYING THAT WHILE THE VALUE OF OUTPUT IN 1977 LOOKS LIKE HAVING BEEN 9 PERCENT ABOVE 1976, THE VALUE OF INPUTS WENT UP BY 14 1/2 PERCENT REFLECTING THE FACT THAT THE VALUE OF OUTPUT IS BEING ARTIFICIALLY HELD DOWN BY THE OVER-VALUATION OF THE GREEN POUND WHILE COSTS ARE UNDER NO SUCH CONSTRAINT.

5. MEANWHILE THE FOOD MANUFACTURERS' FEDERATION WHICH I ANOTHER INFLUENTIAL LOBBY GROUP IN THE AGRICULTURE AND FOOD SECTOR AND WHICH IN OTHER CIRCUMSTANCES COULD HARDLY UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 00906 02 OF 02 181607Z

BE COUNTED AS A SUPPORTER OF LABOUR POLICIES HAS AGAIN COME OUT STRONGLY TO URGE HMG TO RESIST PLEAS FOR GREEN POUND DEVALUATION SAYING THAT THE BEHAVIOUS OF INFLATION HERE OVER THE NEXT YEAR WILL BE CRITICAL FOR ACCEPTANCE OF WAGE RESTRAINT AND THE UK'S ABILITY TO COMPETE IN EXPORT MARKETS. THE FEDERATION ACCEPTS THAT THERE ARE ANOMALIES IN CERTAIN SECTORS (EG PIGMEAT) WHICH NEED CORRECTION. QUESTIONS OF GENERAL ADJUSTMENT IN THE GREEN POUND RATE AND IN EC AGRICULTURAL PRICE LEVELS MUST BE JUDGED BY THE LIKELY EFFECT ON INFLATION.

BREWSTER

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEVALUATIONS, FARMS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 18 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LONDON00906
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780027-0227
Format: TEL
From: LONDON USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780150/aaaabqge.tel
Line Count: 167
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b9b3cfe2-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28 feb 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3756360
Secure: OPEN
Status: NATIVE
Subject: RENEWAL OF CONTROVERSY OVER UK GREEN POUND DEVALUATION BEGIN SUMMARY: AS 1978 EC FARM PRICE REVIEW
APPRO
TAGS: EAGR, UK
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/b9b3cfe2-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014